

**CITY OF ALTOONA**

**INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2008**

## Table of Contents

OFFICIALS .....	2
INDEPENDENT AUDITOR'S REPORT .....	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	5-11
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets - Cash Basis .....	A ..... 12
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances .....	B ..... 13-14
Reconciliation of the Statement of Cash Receipts,	
Disbursements and Changes in Cash Balances to the	
Statement of Activities and Net Assets .....	C ..... 15
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances .....	D ..... 16-17
Reconciliation of the Statement of Cash Receipts,	
Disbursements and Changes in Cash Balances to the	
Statement of Activities and Net Assets .....	E ..... 18
Notes to Financial Statements .....	19-31
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements	
and Changes in Balances - Budget and Actual (Cash Basis) -	
All Governmental Funds and Proprietary Funds .....	32
Notes to Required Supplementary Information -	
Budgetary Reporting .....	33
OTHER SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes	
in Cash Balances - Nonmajor Governmental Funds .....	1 ..... 34
Schedule of Indebtedness .....	2 ..... 35
Bond Maturities .....	3 ..... 36-37
Schedule of Receipts by Source and Disbursements by Function -	
All Governmental and Proprietary Funds .....	4 ..... 38
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL	
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND	
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL	
STATEMENTS PERFORMED IN ACCORDANCE WITH	
<i>GOVERNMENT AUDITING STANDARDS</i> .....	39-40
SCHEDULE OF FINDINGS AND	
QUESTIONED COSTS .....	41-44

## CITY OF ALTOONA

### OFFICIALS

Name	Title (Before January 2008)	Term Expires
Timothy J. Burget . . . . .	Mayor . . . . .	Jan 2008
Josiah (Skip) Conkling . . . . .	Mayor Pro-Tem . . . . .	Jan 2010
Matt Davenport . . . . .	Council Member . . . . .	Jan 2008
Stacey Warren . . . . .	Council Member . . . . .	Jan 2008
Michelle Sloan . . . . .	Council Member . . . . .	Jan 2010
Joe Riding . . . . .	Council Member . . . . .	Jan 2010
Jeffery Mark . . . . .	City Administrator . . . . .	Jan 2008
Randy Pierce . . . . .	Clerk/Finance Officer . . . . .	Jan 2008
Robert Laden . . . . .	Attorney . . . . .	Jan 2008

#### (After January 2008)

Timothy J. Burget . . . . .	Mayor . . . . .	Jan 2012
Josiah (Skip) Conkling . . . . .	Mayor Pro-Tem . . . . .	Jan 2010
Gerald Nolin . . . . .	Council Member . . . . .	Jan 2012
Stacey Warren . . . . .	Council Member . . . . .	Jan 2012
Michelle Sloan . . . . .	Council Member . . . . .	Jan 2010
Joe Riding . . . . .	Council Member . . . . .	Jan 2010
Jeffery Mark . . . . .	City Administrator . . . . .	Jan 2011
Randy Pierce . . . . .	Clerk/Finance Officer . . . . .	Jan 2009
Robert Laden . . . . .	Attorney . . . . .	Jan 2009



## MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
4949 Pleasant Street, Suite 104  
West Des Moines, Iowa 50266

(515)-223-4841

FAX: (515)-223-0851

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Altoona's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Altoona as of June 30, 2008, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2008 on our consideration of the City of Altoona's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the aforementioned financial statements that collectively comprise the City of Altoona's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
October 13, 2008

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The City of Altoona provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 13%, or approximately \$2,448,000 from fiscal 2007 to fiscal 2008. Property tax increased approximately \$528,500 and bond proceeds decreased by \$3,245,000.
- Disbursements of the City's governmental activities increased 18%, or approximately \$4,057,000, from fiscal 2007 to fiscal 2008. Public safety, culture and recreation, community and economic development, and debt service increased approximately \$514,000, \$872,000, \$4,868,000 and \$866,000 respectively. Capital projects decreased \$3,010,000.
- The City's total cash basis net assets decreased 40% or approximately \$8,526,000 from fiscal 2007 to fiscal 2008. Of this amount, the assets of the governmental activities decreased \$8,907,000 and the assets of the business type activities increased \$381,300.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consist of a statement of activities and net assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about nonmajor governmental funds and debt obligations.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and garbage collection. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The government fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business-type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, garbage and recycling funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities has decreased from a year ago, decreasing from \$14.739 million to \$5.832 million. Our analysis below focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts and transfers:		
Program receipts:		
Charges for service and sales	\$ 824	\$ 821
Operating grants, contributions and restricted interest	1,452	1,196
Capital grants, contributions and restricted interest	1	1
General receipts:		
Property tax	9,860	9,331
Other City taxes	599	490
Grants and contributions not restricted to specific purposes	966	1,113
Unrestricted investment earnings	493	648
Bond proceeds	2,355	5,600
Other general receipts	232	30
Transfers, net	472	1,188
Total receipts and transfers	<u>17,254</u>	<u>20,418</u>
Disbursements:		
Public safety	4,194	3,680
Public works	1,194	1,308
Culture and recreation	2,594	1,722
Community and economic development	6,841	1,973
General government	732	671
Debt service	4,156	3,290
Capital projects	6,450	9,460
Total disbursements	<u>26,161</u>	<u>22,104</u>
Increase (decrease) in cash balance	(8,907)	(1,686)
Cash basis net assets beginning of year	<u>14,739</u>	<u>16,425</u>
Cash basis net assets end of year	<u>\$ 5,832</u>	<u>\$ 14,739</u>

The City's total receipts and transfers for governmental activities decreased by 15 percent (\$3.164 million). The total cost of all programs and services increased by approximately \$4.057 million or 18.3 percent due to an increase in disbursements in the community and economic development (\$4.868 million).

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$178,000 next year or 4.9%.

The cost of all governmental activities this year was \$26.161 million compared to \$22.104 million last year. However, as shown in the statement of activities and net assets - cash basis on page 12, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$23.885 million because some of the cost was paid by those directly benefited from the programs (\$.824 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1.452 million). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2008 from approximately \$2.018 million to approximately \$2.276 million principally due to an increase in operating grants, contributions, and restricted interest. The City paid for the remaining public benefit portion of governmental activities with approximately \$10.459 million in tax (some of which could only be used for certain programs) and with other receipts, such as interest, general entitlements and bond proceeds.

### Business Type Activities

Changes in Cash Basis Net Assets of Business-Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service and sales:		
Water	\$ 3,099	\$ 2,824
Sewer	2,719	2,676
Garbage	419	398
Recycling	117	111
General receipts:		
Water deposits	19	21
Unrestricted investment earnings	80	65
Bond proceeds	1,660	-
Other general receipts	19	72
Non-operating receipts	-	-
Total receipts	<u>8,132</u>	<u>6,167</u>
Disbursements:		
Water	3,879	2,545
Sewer	2,813	2,788
Garbage	433	403
Water deposits	24	23
Other	130	121
Transfers	<u>472</u>	<u>1,188</u>
Total disbursements and transfers	<u>7,751</u>	<u>7,068</u>
Increase (decrease) in cash balance	381	(901)
Cash basis net assets beginning of year	<u>6,741</u>	<u>7,642</u>
Cash basis net assets end of year	<u>\$ 7,122</u>	<u>\$ 6,741</u>

Total business-type activities receipts for the fiscal year were \$8.132 million compared to \$6.167 million last year. This increase was due primarily to the increase in bond proceeds. The cash balance increased by approximately \$400,000 from the prior year. Total disbursements for the fiscal year increased by approximately 24 percent to a total of \$7.751 million.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Altoona completed the year, its governmental funds reported a combined fund balance of \$5.828 million, a decrease of \$8.761 million below last year's total of \$14.589 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$176,442 from the prior year to \$3,834,600. This was because of increased disbursements in culture and recreation and community and economic development functions of \$864,853 and \$4,868,265, respectively.
- The Road Use Tax Fund cash balance increased by \$59,581 to \$76,912 during the fiscal year. This increase was attributable to a decrease in personal costs upon the retirement of the department head.
- The Tax Increment Financing Fund decreased by \$3,292,864 to \$946,724 during the fiscal year. The decrease is the result of increased payments to developers, payments on contracts and increased transfers for debt service.
- The total of Capital Projects Funds decreased by \$5,382,019 to \$550,335 from the prior year. The decrease was primarily due to some major capital projects being finished.
- The Debt Service Fund cash balance increased by \$2,803 to \$201,266 during the fiscal year.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$446,276 to \$3,243,934, due primarily to higher water rate and unspent capital project funds.
- The Sewer Fund cash balance decreased by \$59,262 to \$3,605,344, due primarily to higher capital repairs.
- The Water Deposit Fund decreased \$4,533 to \$59,345.
- The Garbage Fund decreased \$1,933 to \$68,327.
- The Recycling Fund decreased \$12,137 to \$3,281. This is due to an increase in cost to the City for recycling that was not passed on to the citizens.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 19, 2008 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

## DEBT ADMINISTRATION

At June 30, 2008, the City had \$41,110,000 in bonds and other long-term debt compared to \$42,070,000 last year shown as follows:

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30	
	2008	2007
General obligation bonds		
Corporate purpose and other	\$ 25,370	\$ 24,675
Urban renewal tax increment financing	8,900	9,995
	34,270	34,670
Revenue bonds	6,840	7,400
Total	<u>\$ 41,110</u>	<u>\$ 42,070</u>

The City's general obligation bond rating continues to carry an A2 rating, a rating that has been assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$34,270,000 plus the portion of developer rebate agreements of \$1,280,238 that are subject to the debt limit are well below the City's \$49.630 million legal debt limit.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2009 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's population growth since the 2000 census stands at 29%. Unemployment in the county now stands at 3.6 percent. This compares with the state unemployment rate of 4.3 percent.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2007 was 208.30. For the 12 month period that ended in July, the CPI-U increased 2.40 percent.

These indicators were taken into account when adopting the budget for 2009. Amounts available for appropriation in the budget are \$.5 million, an increase of 7.80 percent over the final 2008 budget. Property tax (benefitting from increases in valuation) and proceeds from the tax increment financing revenue are expected to lead this increase. The City will use these to finance programs currently offered and to defray the costs of carrying out the City's continued economic development. Budgeted disbursements are expected to increase by approximately \$12.0 million. An increase in capital projects represents the largest increase.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$1.7 million by the close of fiscal year 2009. Most of this is from projects carried over from the prior year.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Pierce, City Clerk/Finance Officer, 407 8<sup>th</sup> Street S.E., P.O. Box 338, Altoona, Iowa 50009.

## **BASIC FINANCIAL STATEMENTS**

CITY OF ALTOONA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2008

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants and Contributions Restricted Interest	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Public safety	\$ 4,193,948	\$ 649,280	\$ 160,282	\$ -	\$(3,384,386)	\$ -	\$(3,384,386)
Public works	1,194,285	-	1,139,532	-	(54,753)	-	(54,753)
Culture and recreation	2,594,010	19,292	152,367	-	(2,422,351)	-	(2,422,351)
Community and economic development	6,841,063	15,743	-	-	(6,825,320)	-	(6,825,320)
General government	731,258	139,624	-	-	(591,634)	-	(591,634)
Debt service	4,156,070	-	-	-	(4,156,070)	-	(4,156,070)
Capital projects	6,450,292	-	-	221	(6,450,071)	-	(6,450,071)
Total governmental activities	26,160,926	823,939	1,452,181	221	(23,884,585)	-	(23,884,585)
Business-type activities:							
Water	3,879,745	3,099,122	-	-	-	(780,623)	(780,623)
Sewer	2,813,126	2,719,204	-	-	-	(93,922)	(93,922)
Garbage	433,433	418,917	-	-	-	(14,516)	(14,516)
Water deposits	23,913	-	19,380	-	-	(4,533)	(4,533)
Recycling	129,554	117,417	-	-	-	(12,137)	(12,137)
Total business-type activities	7,279,771	6,354,660	19,380	-	-	(905,731)	(905,731)
Total	\$33,440,697	\$7,178,599	\$ 1,471,561	\$ 221	(23,884,585)	(905,731)	(24,790,316)
<b>General receipts:</b>							
Property tax levied for:							
General purposes					3,311,401	-	3,311,401
Employee benefits					62,169	-	62,169
Tax increment financing					6,254,969	-	6,254,969
Special assessment					3,230		3,230
Debt service					228,062	-	228,062
Hotel/motel tax					599,010	-	599,010
Grants and contributions not restricted to specific purpose					966,443	-	966,443
Bond proceeds					2,355,000	1,660,000	4,015,000
Unrestricted interest on investments					493,175	79,890	573,065
Miscellaneous					232,591	18,691	251,282
Transfers					471,551	(471,551)	-
Total general receipts and transfers					14,977,601	1,287,030	16,264,631
Change in cash basis net assets					(8,906,984)	381,299	(8,525,685)
Cash basis net assets beginning of year					14,738,963	6,740,737	21,479,700
Cash basis net assets end of year					\$ 5,831,979	\$ 7,122,036	\$12,954,015
<b>Cash Basis Net Assets</b>							
Restricted:							
Debt service					\$ 201,266	\$ 1,259,321	\$ 1,460,587
Streets					76,912	-	76,912
Urban renewal purposes					946,724	-	946,724
Other purposes					768,596	59,345	827,941
Unrestricted					3,838,481	5,803,370	9,641,851
Total cash basis net assets					\$ 5,831,979	\$ 7,122,036	\$12,954,015

See notes to financial statements.

## CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2008

	General	Special Revenue Road Use Tax	Tax Increment Financing	Capital Projects A-Land/1 <sup>st</sup> Ave/ 945	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts:							
Property taxes	\$3,311,401	\$ -	\$ -	\$ -	\$ 228,062	\$ 62,169	\$ 3,601,632
Tax increment financing collections	-	-	6,254,969	-	-	-	6,254,969
Other city tax							
Hotel/motel	599,010	-	-	-	-	-	599,010
Lottery revenue	958,685	-	-	-	-	-	958,685
Licenses and permits	318,778	-	-	-	-	-	318,778
Uses of money and property	493,175	-	-	-	-	2,721	495,896
Intergovernmental	188,022	1,139,532	-	-	-	106,988	1,434,542
Charges for service	505,161	-	-	-	-	-	505,161
Special assessments	-	-	-	-	3,230	-	3,230
Miscellaneous	255,488	-	-	-	-	-	255,488
Total receipts	6,629,720	1,139,532	6,254,969	-	231,292	171,878	14,427,391
Disbursements:							
Operating:							
Public safety	3,742,058	-	-	-	-	143,843	3,885,901
Public works	-	1,159,951	-	-	-	-	1,159,951
Culture and recreation	2,540,532	-	-	-	-	-	2,540,532
Community and economic development	209,748	-	6,631,315	-	-	-	6,841,063
General government	731,258	-	-	-	-	-	731,258
Debt service	-	-	-	-	4,156,070	-	4,156,070
Capital projects	-	-	-	5,943,174	-	507,118	6,450,292
Total disbursements	7,223,596	1,159,951	6,631,315	5,943,174	4,156,070	650,961	25,765,067
Excess (deficiency) of receipts over (under) disbursements	(593,876)	(20,419)	(376,346)	(5,943,174)	(3,924,778)	(479,083)	(11,337,676)
Other financing sources (uses)							
Bond proceeds	-	-	655,000	1,700,000	-	-	2,355,000
Operating transfers in	850,000	80,000	-	-	3,927,581	36,169	4,893,750
Operating transfers (out)	(432,566)	-	(3,571,518)	(36,169)	-	(631,946)	(4,672,199)
Total other financing sources (uses)	417,434	80,000	(2,916,518)	1,663,831	3,927,581	(595,777)	2,576,551
Net change in cash balances	(176,442)	59,581	(3,292,864)	(4,279,343)	2,803	(1,074,860)	(8,761,125)
Cash balances beginning of year	4,011,042	17,331	4,239,588	4,808,312	198,463	1,314,487	14,589,223
Cash balances end of year	\$3,834,600	\$ 76,912	\$ 946,724	\$ 528,969	\$ 201,266	\$ 239,627	\$ 5,828,098

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES - CONTINUED  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2008

	General	Special Revenue Road Use Tax	Tax Increment Financing	Capital Projects A-Land/1 <sup>st</sup> Ave/ 945	Debt Service	Other Nonmajor Governmental Funds	Total
<b>Cash Basis Fund Balances</b>							
Reserved:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 201,266	\$ -	\$ 201,266
Unreserved:							
General fund	3,834,600	-	-	-	-	-	3,834,600
Special revenue funds	-	76,912	946,724	-	-	218,261	1,241,897
Capital projects funds	-	-	-	528,969	-	21,366	550,335
Total cash basis fund balances	<u>\$3,834,600</u>	<u>\$ 76,912</u>	<u>\$ 946,724</u>	<u>\$ 528,969</u>	<u>\$ 201,266</u>	<u>\$ 239,627</u>	<u>\$ 5,828,098</u>

See notes to financial statements.

## CITY OF ALTOONA

RECONCILIATION OF THE STATEMENT OF CASH  
RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -  
*Governmental Funds*

As of and for the year ended June 30, 2008

**Total governmental funds cash balances (page 13)** \$ 5,828,098

*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

3,881

**Cash basis net assets of governmental activities (page 12)** \$ 5,831,979

**Net change in cash balances (page 13)** \$ (8,761,125)

*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of equipment purchases to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.

(145,859)

**Change in cash balance of governmental activities (page 12)** \$ (8,906,984)

See notes to financial statements.

## CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
*Proprietary Funds*

As of and for the year ended June 30, 2008

	Enterprise Funds						Internal Service Fund Equipment Replacement
	Water	Sewer	Water Deposits	Garbage	Recycling	Total	
Operating receipts:							
Charges for service	\$3,099,122	\$2,719,204	\$ -	\$ 418,917	\$117,417	\$6,354,660	\$ -
Miscellaneous	4,660	1,448	19,380	12,583	-	38,071	-
Total operating receipts	3,103,782	2,720,652	19,380	431,500	117,417	6,392,731	-
Operating disbursements:							
Governmental activities:							
Public safety	-	-	-	-	-	-	308,047
Public works	-	-	-	-	-	-	34,334
Culture and recreation	-	-	-	-	-	-	53,478
Business-type activities:	1,270,027	1,449,065	23,913	433,433	129,554	3,305,992	57,112
Total operating disbursements	1,270,027	1,449,065	23,913	433,433	129,554	3,305,992	452,971
Excess (deficiency) of operating receipts over (under) operating disbursements	1,833,755	1,271,587	(4,533)	(1,933)	(12,137)	3,086,739	(452,971)
Non-operating receipts (disbursements):							
Bond proceeds	1,660,000	-	-	-	-	1,660,000	-
Investment interest	44,953	34,937	-	-	-	79,890	-
Debt service	(2,307,629)	(232,065)	-	-	-	(2,539,694)	-
Capital projects	(279,080)	(1,097,893)	-	-	-	(1,376,973)	-
Total non-operating receipts	(881,756)	(1,295,021)	-	-	-	(2,176,777)	-
Excess (deficiency) of receipts over (under) disbursements	951,999	(23,434)	(4,533)	(1,933)	(12,137)	909,962	(452,971)
Other financing sources (uses):							
Operating transfers in	2,307,628	864,011	-	-	-	3,171,639	320,000
Operating transfers (out)	(2,813,351)	(899,839)	-	-	-	(3,713,190)	-
Total other financing sources (uses)	(505,723)	(35,828)	-	-	-	(541,551)	320,000
Net change in cash balances	446,276	(59,262)	(4,533)	(1,933)	(12,137)	368,411	(132,971)
Cash balances beginning of year	2,797,658	3,664,606	63,878	70,260	15,418	6,611,820	278,657
Cash balances end of year	\$3,243,934	\$3,605,344	\$ 59,345	\$ 68,327	\$ 3,281	\$6,980,231	\$ 145,686

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES - CONTINUED  
*Proprietary Funds*

As of and for the year ended June 30, 2008

	Enterprise Funds					Internal Service Fund Equipment Replacement
	Water	Sewer	Water Deposits	Garbage	Recycling	
Cash Basis Fund Balances						
Reserved for debt service	\$ 746 ,097	\$ 513,224	\$ -	\$ -	\$ -	-
Unreserved	2,497,837	3,092,120	59,345	68,327	3,281	145,686
Total cash basis fund balances	<u>\$ 3,243,934</u>	<u>\$ 3,605,344</u>	<u>\$ 59,345</u>	<u>\$ 68,327</u>	<u>\$ 3,281</u>	<u>\$ 145,686</u>

See notes to financial statements.

## CITY OF ALTOONA

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -  
*Proprietary Funds*

As of and for the year ended June 30, 2008

**Total enterprise funds cash balances (page 16)** \$ 6,980,231

***Amounts reported for business type activities in the Statement of  
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

141,805

**Cash basis net assets of business type activities (page 12)**

\$ 7,122,036

**Net change in cash balances (page 16)**

\$ 368,411

Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment purchases to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

12,888

**Change in cash balance of business type activities (page 12)**

\$ 381,299

See notes to financial statements.

## CITY OF ALTOONA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2008

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Altoona is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

##### A. Reporting Entity

For financial reporting purposes, the City of Altoona has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

##### Jointly Governed Organizations and 28E Agreements

The City also participates in several 28E and jointly governed organizations that provide goods or services to the citizenry of the City but do not meet criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of 28E organizations and of the following boards and commissions; The Safety Coalition of Central Iowa Communities, Polk County Aviation Authority, Intergovernmental Metro Design Policy, HAZ-MAT Services, Sec Taylor Stadium, WRA Metropolitan Solid Waste Agreement, building inspection for the Cities of Mitchellville, Iowa and Bondurant, Iowa, Urban Standard Specifications, SEP School district, Snow Removal for various locations, Road surfacing at various locations, Convention and Visitors Bureau, Des Moines Water Works, Fair Play Agreement, Iowa Tobacco Enforcement Compliance, WRA Facility Plan, Homeland Security Services, Iowa DOT, BRAVO, Polk County MTA, Metro Area Fire Mutual Aid, Metro Home Improvement Program, Suburban Emergency Response Team, Urban Design Standards, Sanitary Sewer Capacity and Central Iowa Traffic Safety Task Force.

##### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

## CITY OF ALTOONA

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### B. Basis of Presentation - Continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unreserved net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

## **CITY OF ALTOONA**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2008

#### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

##### **B. Basis of Presentation - Continued**

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Water Deposits Fund accounts for water utility deposits by residents.

The Garbage Fund accounts for the operation and maintenance of the City's residential garbage collection system.

The Recycling Fund accounts for the operation and maintenance of the City's residential garbage and yard waste recycling system.

The City also reports the following additional proprietary fund:

The equipment replacement fund is an Internal Service Fund utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

##### **C. Measurement Focus and Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

## **CITY OF ALTOONA**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2008

#### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

##### **C. Measurement Focus and Basis of Accounting - Continued**

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Proprietary Funds: Enterprise funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements and which apply to the comprehensive basis of accounting used.

##### **D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, all functions were within the budget guidelines.

##### **E. Property Taxes**

All City property taxes must be certified to the Polk County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

Property taxes levied for the year ending June 30, 2008, attached as an enforceable lien on July 1, 2007, with the first half installment being delinquent after September 30, 2007 and the second half installment being delinquent after March 31, 2008.

#### **(2) CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments at June 30, 2008 are as follows:

# CITY OF ALTOONA

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

### (2) CASH AND POOLED INVESTMENTS - CONTINUED

Type	Carrying Amount	Fair Value
Certificates of deposit	<u>\$1,281,973</u>	<u>\$1,281,973</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,048,935 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Credit Risk - The City's investment in the Iowa Public Agency Investment Trust is unrated.

### (3) BONDS PAYABLE

The following is a summary of the changes in the outstanding bonds payable of the City for the year ended June 30, 2008:

	Balance June 30, 2007	Issued	Redeemed	Balance June 30, 2008
Governmental activities				
General obligations bonds	\$ 34,670,000	\$ 2,355,000	\$ 2,755,000	\$ 34,270,000
Business-type activities				
Revenue bonds	7,400,000	1,660,000	2,220,000	6,840,000
Total	<u>\$ 42,070,000</u>	<u>\$ 4,015,000</u>	<u>\$ 4,975,000</u>	<u>\$ 41,110,000</u>

Interest rates range from 2.40% to 4.75% on the general obligation bonds. The revenue bond interest rates are from 3.00% to 5.00%. The City paid \$1,718,666 interest on debt obligations for the year ended June 30, 2008.

Annual debt service requirements for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$3,180,000	\$2,543,161	\$ 600,000	\$239,140	\$3,780,000	\$2,782,301
2010	3,305,000	2,458,076	610,000	222,635	3,915,000	2,680,711
2011	3,190,000	2,147,081	635,000	204,628	3,825,000	2,351,709
2012	2,430,000	2,082,737	630,000	185,480	3,060,000	2,268,217
2013	2,260,000	1,785,289	450,000	170,760	2,710,000	1,956,049
2014	2,360,000	1,737,999	470,000	154,520	2,830,000	1,892,519
2015	2,460,000	1,694,294	495,000	137,100	2,955,000	1,831,394
2016	2,555,000	1,640,126	465,000	128,260	3,020,000	1,768,386
2017	2,360,000	1,590,116	455,000	109,995	2,815,000	1,700,111
2018	2,470,000	1,541,669	295,000	91,585	2,765,000	1,633,254
2019	2,585,000	1,497,641	310,000	78,900	2,895,000	1,576,541

**CITY OF ALTOONA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
June 30, 2008

**(3) BONDS PAYABLE - CONTINUED**

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	2,105,000	1,442,588	330,000	65,260	2,435,000	1,507,848
2021	1,555,000	766,229	345,000	50,410	1,900,000	816,639
2022	965,000	61,099	365,000	34,885	1,330,000	95,984
2023	490,000	21,319	385,000	18,095	875,000	39,414
	<u>\$34,270,000</u>	<u>\$23,009,424</u>	<u>\$6,840,000</u>	<u>\$1,891,653</u>	<u>\$41,110,000</u>	<u>\$24,901,077</u>
2014-2018	\$12,205,000	8,204,204	2,180,000	621,460	14,385,000	8,825,664
2019-2023	7,700,000	3,788,876	1,735,000	247,550	9,435,000	4,036,426

The total interest expense paid for the year ended June 30, 2008 was \$1,718,666.

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. The City covenants to establish and maintain a Water Revenue Bond Sinking Fund in an amount equal to the maximum principal and interest coming due on all outstanding parity bonds in any succeeding fiscal year.
- C. The City covenants to establish a Water Revenue Debt Service Reserve Fund in an amount equal to the maximum principal and interest due on any one year. The amount required to be reserved is approximately \$642,100 at June 30, 2008. The actual amount reserved was \$714,722.
- D. The City covenants to maintain a Water Revenue Bond Improvement Fund with an initial deposit of \$40,000. Additional funds of not less than \$750 each month will be deposited until the Fund equals or exceeds \$50,000. This account is restricted solely for the use of paying principal or interest on the Water Revenue Bonds when there is insufficient money in the Sinking Fund or Reserve Fund, and to the extent not required for the foregoing, to pay for extraordinary costs not included in the annual budget.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. The City covenants to establish and maintain a Sewer Revenue Bond Sinking Fund in an amount equal to the maximum amount of principal and interest coming due on all outstanding parity bonds in any succeeding fiscal year.

## CITY OF ALTOONA

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

#### (3) BONDS PAYABLE - CONTINUED

- C. The City covenants to establish a Sewer Revenue Debt Service Reserve Fund. The reserve is to be partially funded from bond proceeds in an amount not to exceed 10% of the bond purchase price and funds on hand. The balance in the Reserve Fund shall equal the lesser of the maximum debt service or ten percent of the net bond proceeds on outstanding bonds and the required reserve is approximated at \$283,000. The actual amount reserved was \$507,551.

##### Development Rebate Agreements

The City has entered into a number of TIF rebate agreements requiring repayment to the developers from TIF receipts. The rebate service requirements, if appropriated by the City, are as follows:

Year ending <u>June 30</u>	
2009	\$ 1,414,042
2010	1,179,058
2011	1,366,024
2012	1,316,024
2013	1,308,358
2014-2018	4,791,750
2019-2023	<u>2,819,268</u>
	<u>\$ 14,194,524</u>

#### (4) JOINT VENTURE AND COMMITMENTS

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

As part of the Agreement, the WRA issued debt to advance refund the sewer revenue refunding bonds Series 1997C and 2002D and the state revolving loans SRF2 and SRF3 of the City of Des Moines. In addition, state revolving loans SRF4, SRF6 and SRF7 were reassigned from the City of Des Moines to the WRA.

## **CITY OF ALTOONA**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2008

#### **(4) JOINT VENTURES AND COMMITMENTS - CONTINUED**

The City of Altoona retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A, 2004B, 2006 and the 2008 State Revolving Loan Funds include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Agreement requires the debt service on the Series 2004A bonds to be allocated using the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds had a balance of \$13,220,000 as of June 30, 2008. The City of Altoona has a commitment for approximately \$-0-, or -0-%, for future principal payment requirements on that debt. The WRA Sewer Revenue Bonds Series 2004B, 2006 bonds and the 2008 state revolving loans were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2008, the Series 2004B bonds had a balance of \$64,695,000 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$3,482,063, or 5.38%. As of June 30, 2008, the Series 2006 bonds had a balance of \$38,050,000 and the City of Altoona's estimated future allocation based on the WRA Flows is currently \$2,156,934 or 5.67%. As of June 30, 2008 the 2008 state revolving loans had a balance of \$14,414,583 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$841,276 or 5.84%. The pre 2004 state revolving loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2008, the WRA had \$10,780,000 in outstanding pre 2004 State Revolving Loans, of which \$-0- of future principal debt service is a commitment of the City of Altoona.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2008, the City paid the WRA \$311,641 for operations, maintenance, equipment replacements and debt service payments.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

#### **(5) PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

# CITY OF ALTOONA

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

### (5) PENSION AND RETIREMENT BENEFITS

Plan members are required to contribute 3.90% of their annual salary and the City is required to contribute 6.05% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$306,178, \$281,837 and \$263,300, respectively, equal to the required contributions for each year.

### (6) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned vacation and sick leave termination payments payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 304,441
Sick leave	<u>738,964</u>
Total	<u>\$1,043,405</u>

This liability has been computed based on rates of pay as of June 30, 2008.

### (7) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Enterprise:	
	Water Fund	\$ 240,000
	Sewer Fund	360,000
	Special Revenue:	
	Tax Increment Financing	250,000
Debt Service Fund	General Fund	102,566
	Special Revenue:	
	Tax Increment Financing	3,321,518
	Enterprise:	
	Water Fund	240,723
	Sewer Fund	262,774
Capital Projects Fund	Capital Projects Fund - Other	36,169

## CITY OF ALTOONA

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

#### (7) INTERFUND TRANSFERS - CONTINUED

Transfer to	Transfer from	Amount
Special Revenue Road Use Fund	General Fund	80,000
Internal Service Fund:		
Equipment Replacement Fund	General Fund	250,000
	Enterprise:	
	Water Fund	25,000
	Sewer Fund	45,000
Enterprise Fund:	Enterprise:	
Water Sinking Fund	Water	2,307,628
Sewer Sinking Fund	Sewer	232,065
Sewer	Capital Projects - Sewer	<u>631,946</u>
Total		<u>\$ 8,385,389</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

#### (8) RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$390 during the year ended June 30, 2008.

#### (9) RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

## **CITY OF ALTOONA**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2008

#### **(9) RISK MANAGEMENT - CONTINUED**

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2008 were \$171,964.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City's payment is recorded as disbursements from its operating funds at the time of payment. The City's payment for the year ended June 30, 2008 was \$166,363. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(10) DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. These funds are held in trust for participating employees by a third party investor.

## CITY OF ALTOONA

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

#### (11) CONSTRUCTION CONTRACTS

At June 30, 2008, the City had entered into construction contracts of approximately \$18,489,979 for various projects. At June 30, 2008 these projects will require future payments of approximately \$2,020,592 upon completion.

#### (12) IOWA EVENTS CENTER

The City agreed to commit City funding for the financing of the construction of the Iowa Events Center Project located on and around the area adjacent to Veteran's Memorial Auditorium in Des Moines.

The City provided a grant of \$291,774, to be used by the county for the project. The City grant is made to assist the county in project financing. The project is determined to benefit the residents of the City and the county.

The first grant installment was disbursed by the City September 16, 2004 in the amount of \$36,471.75. Identical amounts are to be paid through fiscal year 2012.

#### (13) REVENUE RESERVE BALANCES

Revenue reserve balances are not available for general operating use. They are included with their respective water or sewer cash balances on Exhibit D. Cash balances at end of year are summarized as follows:

	Water	Sewer	Water Deposits	Garbage	Recycling	Total
General operation	\$2,497,837	\$3,092,120	\$59,345	\$ 68,327	\$ 3,281	\$5,720,910
Sinking fund	31,375	5,673	-	-	-	37,048
Revenue reserve fund	714,722	507,551	-	-	-	1,222,273
	<u>\$3,243,934</u>	<u>\$3,605,344</u>	<u>\$59,345</u>	<u>\$ 68,327</u>	<u>\$ 3,281</u>	<u>\$6,980,231</u>

#### (14) SUBSEQUENT EVENTS

On July 1, 2008, the City of Altoona issued \$56,470,000 Annual Appropriation Urban Renewal Tax Increment Revenue Bonds, Series 2008 with coupon rates of 4.375% to 5.0%.

The Annual Appropriation Urban Renewal Tax Increment Revenue Bonds, Series 2008 (the "Series 2008 Bonds" or "Bonds") are being issued by the City of Altoona, Iowa (the "issuer" or the "City"), for the purpose of paying the cost, to the extent, of (i) planning, undertaking and carrying out an urban renewal project within the Altoona Urban Renewal Area, consisting of funding an economic development grant to the Altoona Economic Development Corporation for use in the development of a Bass Pro Shops retail facility and constructing street, water, sidewalk, sanitary sewer, storm sewer and site improvements in support of additional commercial development within the Urban Renewal Area (defined herein); (ii) initially funding a debt service reserve fund to secure payment of the Series 2008 Bonds; (iii) funding capitalized interest; and (iv) paying for costs of issuance related to the Series 2008 Bonds (collectively, the "Project").

## **CITY OF ALTOONA**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2008

#### **(14) SUBSEQUENT EVENTS - CONTINUED**

The Series 2008 Bonds are subject to redemption by the City prior to their stated maturities in the manner and at the time described herein. All of the Series 2008 Bonds maturing on or after June 1, 2019 are subject to redemption at the option of the Issuer, as a whole or in part, from any source of available funds, on June 1, 2018 or on any date thereafter at a redemption price equal to the principal amount of the Series 2008 Bonds, together with accrued interest to the date fixed for redemption, without premium.

The Series 2008 Bonds are special, limited obligations of the City. The Series 2008 Bonds do not constitute a general obligation or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the City. The Series 2008 Bonds do not directly or indirectly obligate the City to make any payments thereon during a fiscal year beyond those for which funds have been appropriated by the City for such fiscal year for which the appropriation is made. The City has no payment obligations under the Series 2008 Bonds other than amounts appropriated for payments due in the current fiscal year. The City has, in the authorizing resolution, appropriated funds for the fiscal year ending June 30, 2009 to pay principal of and interest on the Series 2008 Bonds only during such fiscal year. In the event that the City Council of the City does not budget and appropriate funds for any fiscal year in an amount sufficient to pay the principal of and interest due on the Series 2008 Bonds during such fiscal year, the City's obligation under the Series 2008 Bonds shall terminate and become null and void on the last day of the fiscal year for which the necessary funds were appropriated.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ALTOONA**

BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Less Funds not Required to Be Budgeted	Net	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
					Original	Final	
Receipts:							
Property tax	\$3,601,632	\$ -	\$ -	\$3,601,632	\$3,517,367	\$3,517,367	\$ 84,265
Tax increment financing collections	6,254,969	-	-	6,254,969	5,642,056	5,642,056	612,913
Other city tax	1,557,695	-	-	1,557,695	577,656	652,656	905,039
Licenses and permits	318,778	-	-	318,778	371,000	371,000	(52,222)
Uses of money and property	495,896	79,890	-	575,786	452,700	577,700	(1,914)
Intergovernmental	1,434,542	-	-	1,434,542	1,217,177	1,228,177	206,365
Charges for service	505,161	6,354,660	-	6,859,821	6,482,269	6,557,269	302,552
Special assessments	3,230	-	-	3,230	-	-	3,230
Miscellaneous	255,488	38,071	-	293,559	936,000	1,096,000	(802,441)
Total receipts	14,427,391	6,472,621	-	20,900,012	19,196,225	19,642,225	1,257,787
Disbursements:							
Public safety	3,899,668	308,047	308,047	3,899,668	4,026,834	4,066,834	167,166
Public works	1,159,951	34,334	34,334	1,159,951	1,216,216	1,276,216	116,265
Culture and recreation	2,145,915	53,478	53,478	2,145,915	2,289,008	2,390,008	244,093
Community and economic development	7,221,913	-	-	7,221,913	4,572,379	7,772,379	550,466
General government	731,258	-	-	731,258	721,075	773,075	41,817
Debt service	4,156,070	-	-	4,156,070	4,254,052	4,254,052	97,982
Capital projects	6,450,292	-	-	6,450,292	1,915,838	6,665,838	215,546
Business-type	-	7,279,771	57,112	7,222,659	7,041,722	9,441,722	2,219,063
Total disbursements	25,765,067	7,675,630	452,971	32,987,726	26,037,124	36,640,124	3,652,398
Excess (deficiency) of receipts over disbursements	(11,337,676)	(1,203,009)	(452,971)	(12,087,714)	(6,840,899)	(16,997,899)	4,910,185
Other financing sources							
Bond proceeds	2,355,000	1,660,000	-	4,015,000	7,007,603	17,207,603	(13,192,603)
Other	221,551	(221,551)	320,000	(320,000)	(5,307,603)	(5,307,603)	4,987,603
Total other financing sources	2,576,551	1,438,449	320,000	3,695,000	1,700,000	11,900,000	(8,205,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,761,125)	235,440	(132,971)	(8,392,714)	(5,140,899)	(5,097,899)	(3,294,815)
Balances beginning of year	14,589,223	6,890,477	278,657	21,201,043	15,105,053	15,105,053	6,095,990
Balances end of year	\$ 5,828,098	\$7,125,917	\$ 145,686	\$ 12,808,329	\$ 9,964,154	\$10,007,154	\$ 2,801,175

See accompanying independent auditor's report.

## **CITY OF ALTOONA**

### **REQUIRED SUPPLEMENTARY INFORMATION**

#### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, internal service, non-expendable trust, and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, a budget amendment increased budgeted disbursements by \$10,603,000. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, no disbursements exceeded the amounts budgeted.

## **OTHER SUPPLEMENTARY INFORMATION**

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2008

	Special Revenue		Capital Projects				
	Employee Benefits	Drug Enforcement Agency	Westside Sewer	Sewer Plant Expansion	WRA Sewer Project	Other	Total
Receipts:							
Property tax	\$ 62,169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,169
Uses of money and property:							
Interest on investments	-	2,500	-	-	-	221	2,721
Intergovernmental:							
DEA funds	-	106,988	-	-	-	-	106,988
Total receipts	62,169	109,488	-	-	-	221	171,878
Disbursements:							
Operating:							
Public safety	62,169	81,674	-	-	-	-	143,843
Capital projects	-	-	-	-	-	507,118	507,118
Total disbursements	62,169	81,674	-	-	-	507,118	650,961
Excess (deficiency) of receipts over (under) disbursements	-	27,814	-	-	-	(506,897)	(479,083)
Other financing sources:							
Operating transfers in	-	-	-	-	-	36,169	36,169
Operating transfers out	-	-	(103,220)	(333,623)	(195,103)	-	(631,946)
Total other financing sources (uses)	-	-	(103,220)	(333,623)	(195,103)	36,169	(595,777)
Net change in cash balances	-	27,814	(103,220)	(333,623)	(195,103)	(470,728)	(1,074,860)
Cash balances beginning of year	-	190,447	103,220	333,623	195,103	492,094	1,314,487
Cash balances end of year	\$ -	\$ 218,261	\$ -	\$ -	\$ -	\$ 21,366	\$ 239,627
Cash Basis Fund Balances							
Unreserved:							
Special revenue funds	\$ -	\$ 218,261	\$ -	\$ -	\$ -	\$ -	\$ 218,261
Capital project funds	-	-	-	-	-	21,366	21,366
Total cash basis fund balances	\$ -	\$ 218,261	\$ -	\$ -	\$ -	\$ 21,366	\$ 239,627

See accompanying independent auditor’s report.

CITY OF ALTOONA

SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Corporate Purpose Series 2000	Oct. 1, 2000	4.65 - 4.75%	2,800,000	\$ 1,190,000	\$ -	\$ 275,000	\$ 915,000	\$ 55,670	\$ -
Urban Renewal Series 2001	Apr. 1, 2001	3.90 - 4.10	4,700,000	2,115,000	-	495,000	1,620,000	84,165	-
Corporate Purpose Series 2003A	Oct. 20, 2003	3.00 - 4.625	3,940,000	3,190,000	-	210,000	2,980,000	122,774	-
Urban Renewal/Corporate Purpose Series 2004C	Sept. 1, 2004	3.25 - 4.20	5,695,000	5,395,000	-	350,000	5,045,000	200,453	-
Refunding Notes, Series 2005	Feb. 15, 2005	2.60 - 3.75	2,715,000	2,485,000	-	250,000	2,235,000	78,640	-
Urban Renewal/Corporate Purpose Series 2005 B	Dec. 15, 2005	3.40 - 3.95	6,265,000	6,065,000	-	100,000	5,965,000	223,978	-
Refunding Bonds Series 2006A	Mar. 29, 2006	3.55 - 3.70	2,200,000	1,805,000	-	435,000	1,370,000	64,678	-
Urban Renewal/Corporate Purpose Series 2006B	Jun. 1, 2006	4.00 - 4.375	7,145,000	6,825,000	-	365,000	6,460,000	285,538	-
Urban Renewal/Corporate Purpose Series 2008A	May 1, 2008	3.60 - 3.95	5,600,000	5,600,000	-	275,000	5,325,000	227,370	-
Urban Renewal/Corporate Purpose Series 2007B	Oct 1, 2007	3.50 - 4.00	2,355,000	-	2,355,000	-	2,355,000	55,706	-
				34,670,000	2,355,000	2,755,000	34,270,000	1,398,972	-
Revenue bonds:									
Water	Nov. 1, 1997	4.90 - 5.00	2,275,000	1,775,000	-	1,775,000	-	88,996	-
Sewer	Feb. 1, 2002	4.00 - 4.20	1,730,000	1,035,000	-	190,000	845,000	42,065	-
Water Refunding Series 2004	Mar. 3, 2004	2.70 - 3.15	955,000	520,000	-	155,000	365,000	14,623	-
Water Series 2004B	Sept. 1, 2004	4.00 - 4.70	4,280,000	4,070,000	-	100,000	3,970,000	174,010	-
Water Refunding Series 2008	Apr 28, 2008	3.00 - 3.80	1,660,000	-	1,660,000	-	1,660,000	-	-
				7,400,000	1,660,000	2,220,000	6,840,000	319,694	-
Total				\$42,070,000	\$4,015,000	\$4,975,000	\$41,110,000	\$1,718,666	\$ -

See accompanying independent auditor’s report.

CITY OF ALTOONA

BOND MATURITIES

June 30, 2008

General Obligation Bonds

Year Ending June 30,	Corporate Purpose Series 2000 Issued October 1, 2000		Urban Renewal Corporate Purpose Series 2001 Issued April 1, 2001		Corporate Purpose Series 2003A Issued October 20, 2003		Urban Renewal Corporate Purpose Series 2004C Issued September 1, 2004		Refunding Notes Series 2005 Issued February 15, 2005		Urban Renewal Corporate Purpose Series 2005B Issued December 15, 2005		Refunding Bonds Series 2006A Issued March 29, 2006		Urban Renewal Corporate Purpose Series 2006B Issued June 1, 2006	
	Interest		Interest		Interest		Interest		Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2009	4.65%	\$ 290,000	3.95%	\$ 515,000	3.00%	\$ 145,000	3.25%	\$ 365,000	2.60%	\$ 245,000	3.40%	\$ 395,000	3.55%	\$ 450,000	4.00%	\$ 380,000
2010	4.70	305,000	4.00	540,000	3.00	150,000	3.25	380,000	2.80	265,000	3.45	410,000	3.60	450,000	4.00	395,000
2011	4.75	320,000	4.10	565,000	3.25	155,000	3.30	395,000	3.00	260,000	3.50	425,000	3.65	225,000	4.00	415,000
2012	-	-	-	-	3.50	160,000	3.50	410,000	3.20	285,000	3.55	445,000	3.70	245,000	4.00	430,000
2013	-	-	-	-	3.50	170,000	3.60	430,000	3.35	280,000	3.60	460,000	-	-	4.00	450,000
2014	-	-	-	-	3.70	175,000	3.70	450,000	3.50	300,000	3.65	480,000	-	-	4.25	465,000
2015	-	-	-	-	3.85	185,000	3.80	475,000	3.60	300,000	3.70	500,000	-	-	4.25	490,000
2016	-	-	-	-	4.00	195,000	4.00	495,000	3.75	300,000	3.75	520,000	-	-	4.25	510,000
2017	-	-	-	-	4.00	200,000	4.00	520,000	-	-	3.80	545,000	-	-	4.25	535,000
2018	-	-	-	-	4.15	210,000	4.10	550,000	-	-	3.85	570,000	-	-	4.25	555,000
2019	-	-	-	-	4.25	220,000	4.20	575,000	-	-	3.90	595,000	-	-	4.25	585,000
2020	-	-	-	-	4.35	235,000	-	-	-	-	3.95	620,000	-	-	4.375	610,000
2021	-	-	-	-	4.45	245,000	-	-	-	-	-	-	-	-	4.375	640,000
2022	-	-	-	-	4.55	260,000	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	4.625	275,000	-	-	-	-	-	-	-	-	-	-
Total		<u>\$ 915,000</u>		<u>\$1,620,000</u>		<u>\$2,980,000</u>		<u>\$5,045,000</u>		<u>\$2,235,000</u>		<u>\$5,965,000</u>		<u>\$1,370,000</u>		<u>\$6,460,000</u>

See accompanying independent auditor’s report.

CITY OF ALTOONA

BOND MATURITIES

June 30, 2008

Year Ending June 30,	General ObligationBonds					Revenue Bonds								
	Urban Renewal Corporate Purpose Series 2008A		Urban Renewal Corporate Purposes Series 2007B		Total	Sewer Issued February 1, 2002		Water Refunding Issued March 3, 2004		Water Series 2004B Issued September 1, 2004		Water Refunding Issued April 28, 2008		Total
	Issued May 1, 2007		Issued October 1, 2007			Interest		Interest		Interest		Interest		
	Interest Rates	Amount	Interest Rates	Amount		Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2009	3.60%	\$ 285,000	3.50%	\$ 110,000	\$ 3,180,000	4.00%	\$ 200,000	2.70%	\$ 125,000	4.00%	\$ 140,000	3.00%	\$ 135,000	\$ 600,000
2010	3.60	295,000	3.50	115,000	3,305,000	4.00	205,000	3.00	125,000	4.00	145,000	3.00	135,000	610,000
2011	3.60	310,000	3.55	120,000	3,190,000	4.10	215,000	3.15	115,000	4.00	165,000	3.00	140,000	635,000
2012	3.60	325,000	3.55	130,000	2,430,000	4.20	225,000	-	-	4.00	220,000	3.20	185,000	630,000
2013	3.60	335,000	3.60	135,000	2,260,000	-	-	-	-	4.00	230,000	3.20	220,000	450,000
2014	3.625	350,000	3.65	140,000	2,360,000	-	-	-	-	4.00	240,000	3.40	230,000	470,000
2015	3.70	365,000	3.70	145,000	2,460,000	-	-	-	-	4.00	255,000	3.60	240,000	495,000
2016	3.75	380,000	3.70	155,000	2,555,000	-	-	-	-	4.10	265,000	3.70	200,000	465,000
2017	3.80	400,000	3.75	160,000	2,360,000	-	-	-	-	4.20	280,000	3.80	175,000	455,000
2018	3.80	415,000	3.80	170,000	2,470,000	-	-	-	-	4.30	295,000	-	-	295,000
2019	3.85	435,000	3.85	175,000	2,585,000	-	-	-	-	4.40	310,000	-	-	310,000
2020	3.90	455,000	3.90	185,000	2,105,000	-	-	-	-	4.50	330,000	-	-	330,000
2021	3.90	475,000	3.95	195,000	1,555,000	-	-	-	-	4.50	345,000	-	-	345,000
2022	3.95	500,000	4.00	205,000	965,000	-	-	-	-	4.60	365,000	-	-	365,000
2023	-	-	4.00	215,000	490,000	-	-	-	-	4.70	385,000	-	-	385,000
Total		<u>\$5,325,000</u>		<u>\$2,355,000</u>	<u>\$34,270,000</u>		<u>\$ 845,000</u>		<u>\$ 365,000</u>		<u>\$3,970,000</u>		<u>\$1,660,000</u>	<u>\$6,840,000</u>

See accompanying independent auditor’s report.

## CITY OF ALTOONA

SCHEDULE OF RECEIPTS BY SOURCE AND  
DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL AND PROPRIETARY FUNDS

	Years ended June 30,			
	2008	2007	2006	2005
Receipts:				
Property tax	\$ 3,601,632	\$ 3,325,891	\$ 3,120,958	\$ 2,997,641
Other city tax				
Hotel/motel	599,010	490,300	503,295	526,819
Lottery	958,685	939,293	874,863	883,267
Total property and other city tax	5,159,327	4,755,484	4,499,116	4,407,727
Tax increment financing collections	6,254,969	5,997,960	4,668,981	3,822,352
Licenses and permits	318,778	452,064	628,498	618,660
Use of money and property	575,786	648,591	315,202	147,827
Intergovernmental:				
Road use tax	1,139,532	1,108,570	988,327	860,477
Library	83,362	133,823	126,913	129,285
State allocation	69,005	36,713	30,178	17,555
Grants	-	39,873	31,540	602
Bank franchise tax	-	-	-	2,262
Drug enforcement	106,988	50,841	81,328	41,415
Miscellaneous	35,655	444	5,960	10,393
Total intergovernmental	1,434,542	1,370,264	1,264,246	1,061,989
Charges for service	6,859,821	6,830,501	6,145,117	5,647,020
Special assessments	3,230	7,468	5,965	6,321
Miscellaneous	4,308,559	5,334,705	15,841,101	10,523,622
Total	24,915,012	25,397,037	33,368,226	26,235,518
Disbursements:				
Operating:				
Public safety	4,193,948	3,679,699	3,218,701	2,723,329
Public works	1,194,285	1,308,267	1,140,280	950,001
Culture and recreation	2,594,010	1,721,752	1,766,112	1,589,834
Community and economic development	6,841,063	1,972,798	1,833,179	1,686,510
General government	731,258	671,264	716,705	249,959
Debt service	4,156,070	3,290,010	4,810,661	2,385,084
Capital projects	6,450,292	9,460,450	4,406,379	6,418,797
Business-type activities	7,279,771	5,880,121	7,002,715	5,289,755
Total	\$33,440,697	\$27,984,361	\$24,894,732	\$21,293,269

See accompanying independent auditor's report.



**MARTENS & COMPANY, CPA, LLP**

CERTIFIED PUBLIC ACCOUNTANTS  
4949 Pleasant Street, Suite 104  
West Des Moines, Iowa 50266

(515)-223-4841  
FAX: (515)-223-0851

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 13, 2008. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Altoona's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Altoona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Altoona's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Altoona's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Altoona's financial statements that is more than inconsequential will not be prevented or detected by the City of Altoona's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Altoona's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-08, II-B-08 and II-C-08 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Altoona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Altoona's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Altoona's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Altoona and other parties to whom the City of Altoona may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Altoona during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
October 13, 2008

**CITY OF ALTOONA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2008

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepting accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

## CITY OF ALTOONA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2008

#### **Part II: Findings Related to the Financial Statements:**

##### **SIGNIFICANT DEFICIENCIES:**

II-A-08     Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation - We realize that segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-08     Computer System Control - The design and controls established over the computer system process is very important in providing assurance and financial integrity of the City's financial records. We noted some weaknesses in the policies and controls.

Recommendation - Controls should be established to prevent water damage to computer equipment. There should be a written procedures plan.

Response - We will consider this.

Conclusion - Response acknowledged. Once established, the recommended policies and procedures will add a measure of assurance to the City's financial records.

II-C-08     Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

**CITY OF ALTOONA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2008

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-C-08     Preparation of Financial Statements - Continued

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We are aware of the situation and will continually review the risks associated with this condition because of cost or other considerations.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

## CITY OF ALTOONA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2008

#### **Part III: Other Findings Related to Statutory Reporting:**

III-A-08 Certified Budget - Disbursements during the year ended June 30, 2008, did not exceed the amounts budgeted.

III-B-08 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-08 Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-08 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Timothy J. Burget, Mayor	Conference	\$ 390

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Mayor and the Council Members do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

III-E-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

III-F-08 Council Minutes - No transactions were found that we believe should have been approved in the Council Minutes but were not.

III-G-08 Revenue Bonds - All provisions of the revenue bond requirements have been met.

III-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.